

ENVIRONMENTAL ADVISORY COUNCIL
Henry Center, Michigan State University
Lansing, Michigan
Thursday, June 25, 2009, 1:00 p.m. – 4:00 p.m.

Members in attendance: Sandra Batie, Steve Chester, Brad Garmon, Chuck Hersey, Brian Jonckheere, Mindy Koch, Rick Plewa, Del Rector, David Rinard, Rhonda Ross, Lee Schwartz, Raymond Scott, Mike Shriberg, Andy Such, Gildo Tori, Willa Williams, and Paul Zuger.

DEQ Staff in attendance: Gerry Avery, Frank Baldwin, Liz Browne, George Bruchmann, Bill Creal, Lynn Fiedler, Kim Fish, Harold Fitch, Amy Hicks, Jim Kasprzak, Lynelle Marolf, JoAnn Merrick, Frank Ruswick, Julie Sims, and Jim Sygo.

Guests: Donna Stine, Governor's Office; Dr. Eric Scorsone, MSU; Chris Klaver, Gongwer

OPENING

Frank Ruswick opened the meeting by welcoming everyone and thanked Sandra Batie for the use of today's facility. Frank reviewed the agenda, reminding people of the reception for EAC members and DEQ staff to follow.

CURRENT ISSUES

Jim Kasprzak provided an update on the current budget situation. Jim indicated the House has passed a bill that combines the DNR and DEQ budgets. Jim noted both the House and Senate budget bills include further reductions in general fund in addition to the Governor's recommendation. There are place holders in both bills for possible restoration of wetlands program. Jim stated that the Legislature has no authority to restructure or rearrange executive branch agencies. Mindy Koch, Deputy Director, Michigan Department of Natural Resources, concurred with Jim's summary of the budget.

Director Chester indicated there is discussion occurring regarding air permit fees. A part of the fiscal year 2010 budget recommendation by the Governor was an increase in air emission fees. Although nothing has been introduced at this time, Senator Garcia is working on putting a fee package together that will be supported by both the House and Senate. Director Chester added that even with economic downturn, we continue to see an increase in the number of air permits applied for.

Director Chester mentioned the Lieutenant Governor's project to streamline state government and indicated that this EAC project could be used as an opportunity to make recommendations and influence the process.

Bill Creal, Chief, Water Bureau, provided an update on the Michigan Supreme Court contested case on Confined Animal Feeding Operation. Bill Creal indicated the Michigan Supreme Court did not accept the DEQ's appeal of the Appellate Court ruling, which was in favor of the Sierra Club. We will continue to work with Sierra Club on the case and work with the new Circuit Court Judge who will be reviewing the case on remand.

Frank Ruswick provided an update on the wetlands program and the relinquishment of Part 404 authority under the Clean Water Act. The workgroups that were created by Senator Birkholz and Representative Warren continue to look for ways to fund and retain the wetlands program. Frank explained the focus is on two aspects; first, finding bridge funding to retain the program in

the short-term; and second, amendments to Part 303 to address some areas in the program that can be improved immediately. Frank remains hopeful that the program will remain but noted the need to look for long-term funding solutions, especially since the fee structure has not increased since the mid 1990's.

A member asked about the drop-dead date for notifying the federal government of the relinquishment. The answer is very uncertain and the federal government has recognized this uncertainty and has been working with us.

Donna Stine, Governor's office, provided an update on the potential \$475 million Great Lakes Restoration Initiative moving through congress. The Office of the Great Lakes is working on getting as much money to Michigan as possible.

ROLE OF THE EAC

Frank presented and facilitated a discussion on the role of the EAC in the current project and how the current EAC project may play into the big picture of restructuring government. See Attachment 1.

Frank began his presentation with a recap of the previous EAC meetings up to this point beginning with the original project description. From the start, this project has had a lot of uncertainties and has evolved as we learn more about social and economic pressures. The original description of this project included past progress, the changing nature of environmental issues, wicked problems, new ways to encourage environmental choices, developing a proposal for a new management structure, outlining how the EAC can influence policy makers, and uncertain outcomes.

Frank recognized that past EAC projects have been clearly defined and that this project is different since we don't know exactly where we are going and what exactly the final product will be. Yet, we have spent the last several months developing a frame of reference with presentations about larger social and economic trends; the history and evolution of environmental and natural resource management and policy; a conceptual project framework; and assumptions of our current state of the environment and possible alternative futures. Last month, we also discussed what we would like the future to look like and the nature of the problem(s) we are trying to address.

Frank recognized a concern that has been heard throughout the previous months regarding 'fixing' a problem that doesn't exist potentially making things worse. He went on to describe some descriptions of the problem(s) that people have characterized thus far including: tectonic shifts in Michigan's social and economic structure; just not having have enough funding; difficulties in providing timely and effective service; the sum total of decisions don't add up to decision-making that is effective in protecting ecological integrity; a system that is overly reactive and focused on preventing big problems rather than creating an optimum future; searching for "flexibly certainty;" a lack of trust; a system devolving into more constraints on DEQ and professional judgment; a system that is inadequate to address current and emerging environmental issues; and that government needs to address same forces driving private sector restructuring and fight for survival.

Frank characterized two different ways he has heard the problem described: 1. Reactive: something to be fixed to avoid a bad result, and 2. Proactive: overcome impediments to creating a desired state.

Frank recapped what he has heard from the EAC members and SMT regarding a desired future state including the relationship between the role of the department and concept of governance, the state of the environment, and general quality of life. Some characteristics of the desired future state include considering the environment and economy together, not separate; having appropriate compartmentalization and integration; more holistic decision-making; skills to use efficient and effective tools and mechanisms; adequate support of the system to make optimal decisions to achieve ideal; attention to trade-offs; an accepted hierarchy of values; and appropriate roles and responsibilities including government, individual actions, and local stakeholders.

Frank noted this project is on a continuum of opportunities ranging from the short-term to longer-term. He suggested that the EAC could have direct responsibility or diffuse responsibility on change. For example, we have the option to change activities and functions in the short-term or work on changing the system and/or structures in the longer-term. We don't have to choose one or the other; but, we do have choices and we need to decide where we want to be and where we can be most effective.

Frank offered a preview of where this project is heading including today's presentation on experiences of how other governmental units are addressing forces of change. In July, we will hear about opportunities to improve risk and natural resource management decisions and the potential of collaborative decision-making; and then in August, the planning committee hopes to present a proposed model for the EAC and SMT to react to and for discussion. The proposed model will likely include information on the function and services of government, tools and characteristics, skills and capacity needs, and about a 10-year time horizon.

Frank presented a slide on restructuring government that triggered considerable discussion about the purpose of the project. It is clear that there is a connection between the current project and the Lieutenant Governor's charge to consolidate departments. Members suggested the EAC should focus on the list of problems and determine which ones we are trying to address. There was also concern expressed about jumping to conclusions that restructuring is the best solution and a comment that we focus on desirable outcomes and a desired future state rather than narrowing our focus to defining a problem that needs to be addressed. There was a comment that restructuring government is inevitable and we must consider it. Frank clarified that restructuring government is not the purpose behind the current EAC project, but he sees a relationship between the EAC project and current discussions about restructuring.

Frank continued his presentation by describing the initial focus of restructuring is typically placing 'boxes on an organization chart'. He stated that underlying this decision are three fundamental issues that should be looked at including what programs (functions and services) should be provided by government, how to integrate horizontally and vertically, and the necessary capacity and skills needed to provide appropriate functions and services. Frank noted he considers horizontal integration as how we talk to each other at the program level including intra-agency (e.g. remediation and water quality intra-agency), inter-agency (e.g., water quality and fisheries), and intergovernmental (e.g., wetlands and storm water management). A member noted another integration regarding the relationship of the agency and public/customer.

Frank described vertical integration as relating to structure and service. Two examples provided include the operations of the central office to field staff and the Department of Information Technology. Both examples included an aspect of oversight of, and service to, program providers. Frank provided an example/diagram which explained the vertical and horizontal integration and how complicated it can be.

Frank presented a slide describing aspects of the decisions that lie ahead. These include fundamental issues affecting organization, a timeframe that includes short-term decisions and longer-term goals, and recognizing boundaries which can and cannot be transcended.

Frank wrapped up his presentation with a discussion on the possible role of the EAC in undertaking this project. Frank suggested it includes possibly influencing the governmental restructuring, encouraging continue conversations on desired future states of the environment and natural resource management, and providing inertia to influence change. Members asked whether the EAC is the correct group to do this and Frank responded by acknowledging that the EAC and the SMT are at least the right group to have “a” discussion, but that other, wider discussions on these topics are necessary. Members agreed that this is an ideal group to have at least one level of discussion on these topics because of diverse set of skills, knowledge, and experience.

Director Chester acknowledged the original intent of this project and cautioned that we need to place some boundaries on this project or we could make it too big. The EAC members agreed that the focus should be to provide recommendations to the Director and continue to include DNR in the discussions due to the connections.

A DEQ SMT member summarized how he views this project and broke it down into three distinct issues including: 1. What are the services we should provide. 2. How do we deliver those services; and 3. Recommending how to resolve issues associated with trust. Director Chester acknowledged that there are trust issues we need to resolve and to consider how other governance systems have an effect on public perception and trust.

PUBLIC ADMINISTRATION IN THE FACE OF CHANGE

Sandra Batie introduced Dr. Eric Scorsone of Michigan State University's Department of Agricultural, Food and Resource Economics - State and Local Government Program. Dr. Scorsone presented his work with other governmental agencies on alternative governance models. He stated that this is a hot topic globally and is being discussed everywhere.

Dr. Scorsone began his presentation by discussing improving government performance and distinguishing between political reform, policy change or management, and management and administration reform. His presentation focused primarily on management and administrative reform including merging or splitting departments, redesigning systems, new budgeting process, and personnel management.

The ‘Big Questions’ are: how do we recruit, train, promote and discipline; what is the impact of budget control process on employee behavior; how do we (re)design systems such as permitting, tax collection, processing bills, caseload management, etc.; and should we have large (merged) departments to save on overhead or smaller autonomous agencies that are specialized? Unfortunately, there are no easy answers to these questions and there is no best system.

Dr. Scorsone described four main models of government including government by network, government by market, reinvented government, and the most common one, hierarchical government. He describes Michigan's government as hierarchical government since it is based on identifying a specific type of accountability, has spending limits and line items, follows a specific process and rules, uses strict civil service processes, and following the process is more important than the outcome.

Dr. Scorsone continued to describe the remaining models including reinvented government as being based on what is achieved rather than spending limits and has freedom from central

controls in terms of spending, personnel, and spending; government by market as using the market to achieve desired outcome; and lastly, government by network as a system where no one is in charge and employs multiple subunit governments and nonprofit agencies to carry out policy. The government by network has the potential to be flexible and to use local learning and expertise to implement best strategies. However, it also has the potential to lack coordination among players.

Dr. Scorsone presented an example of governance in the United Kingdom. The United Kingdom Government is recognized as the most advanced, or on the frontier, of public administration in the industrialized world with reforms beginning in the early 1990s. They have a comprehensive spending review and a three-year budget process which sets expenditures and defines key improvements the public can expect. There is a Public Service Agreement which details the aim and objectives of the United Kingdom government departments for a three-year period. There is also a Delivery Strategy which includes what tactics or strategies will be used to meet objectives, make progress on indicators, and achieve goals.

The United Kingdom's Department of Environment, Food, and Rural Affairs (DEFRA) is responsible for securing a healthy natural environment for everyone's well-being, health, and prosperity now and in the future. This is cross cutting across departments but is lead by the DEFRA. The DEFRA has five departmental strategic objectives which include adapting to climate change; a healthy, resilient, productive and diverse natural environment; sustainable, low carbon and resource efficient patterns of consumption and production; an economy and society that are resilient to environmental risk; and a respected department delivery efficient and high quality services and outcomes. The DEFRA's delivery strategy details who is responsible for what, including regulation, information and education, and grant in aid to key delivery bodies, such as Natural England. The DEFRA has also identified key performance indicators which include specific metrics for marine health, land management, air quality, and biodiversity.

Dr. Scorsone presented a slide which helps to connect the relevance of the DEFRA with the current EAC project and overall government restructuring. The DEFRA plans to help deliver natural environment outcomes more effectively and more efficiently by developing a more holistic and integrated framework for policymaking and delivery on the natural environment based on an ecosystems approach. As part of this work, the DEFRA will develop and promote improved methodologies for valuing ecosystem services to ensure that the true value of natural assets is properly reflected in policy and decision-making across government.

A member asked what drives change in the United Kingdom recognizing that our political system is not designed to change easily and doesn't usually change unless it is responding to crisis. Dr. Scorsone indicated that there is a totally different mentality in the United Kingdom and government is very transparent about what you get for your money. Additionally, they are not required to have a balanced budget; they usually do, but not currently due to the global economic situation.

Dr. Scorsone presented examples of performance indicators used in other agencies. The U.S. Environmental Protection Agency (U.S. EPA) uses EPAStat which conducts quarterly monitoring of performance indicators to look at what they are doing and how well they are doing it, ties directly into performance plan, and linked directly to the U.S. EPA's strategic plan. The Maryland Department of Environment uses MDEStat, which is comparable to EPAStat, and is more process-oriented and uses a panel of various program managers.

Dr. Scorsone provided some insight into how some measures can distort behavior to meet metric. For example, he described a situation in the United Kingdom where an emergency room has a metric to keep waiting times to 30 minutes. In order to meet this metric, people are

waiting longer in ambulances before they are brought into the emergency room to keep the wait time down.

Director Chester acknowledged the value in discussing alternate governance systems; yet, cautioned that our system is not as flexible and we are limited by this system in what we can do.

Dr. Scorsone explained how difficult it is to compare the United States to the United Kingdom because of the differences in culture. There is no 'state government' in the United Kingdom so the United Kingdom government is able to work directly with the city or village. Plus, governance in the United Kingdom has been developing for centuries.

A member suggested looking at Policy Governance. It's an outcome-based system which, according to a member, has worked very well in Meridian Township, Michigan.

Members discussed changes over time in public administration. Dr. Scorsone provided some examples of what has been done and emphasized the importance of looking to other models and seeing what has worked and what has not and then modifying it to fit our needs. He described the governance models that have worked started around a common interest, usually starting with something simple and working towards more complex issues. He also stated that consolidation often sounds like a good idea, but it does not always save money.

A SMT member asked Dr. Scorsone about the pace of change and whether he thinks this argues for dramatic change and what is an appropriate reaction to this specific condition? Dr. Scorsone indicated that the challenges we are facing in our economy today are much different than what we have faced in the past. His recommendation is that every government in Michigan, including local and state, should look at their programs and find ways to deal with dramatic cuts in funding knowing resources are not coming back.

CLOSING BUSINESS

Frank closed the meeting and asked that everyone join the reception if their schedule permits.